

## Message Text

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PAGE 01 VIENTI 00900 01 OF 02 040145Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 EB-07 OMB-01 TRSE-00

AGRE-00 ABF-01 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 /081 W

-----040208Z 065470 /63

R 040101Z JUN 77

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 8200

INFO AMEMBASSY BANGKOK

AMEMBASSY PARIS

AMCONSUL HONG KONG

AMCONSUL UDORN

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 VIENTIANE 0900

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EFIN AFIN ALOW EIND LA TH

SUBJECT: LAO MARKET CONDITIONS AND ECONOMIC MALAISE

REF: VIENTIANE 0757

SUMMARY: RISING PRICES FOR BASIC COMMODITIES INCREASED THE DIFFICULTIES FACED BY LAO CITIZENS IN VIENTIANE AS FLEEING REFUGEES AND MERCHANTS, NERVOUS ABOUT RUMORED NEW GOVERNMENT PRESSURES, FLOODED VIENTIANE'S FREE MARKET WITH KIP IN EXCHANGE FOR DOLLARS AND BAHT. END SUMMARY.

1. A WESTERN BUSINESSMAN RESIDENT IN LAOS TOLD EMBOFF MAY 29 THAT THE LPDR IS EXPERIENCING A SEVERE SHORTAGE OF HARD CURRENCY. HE SAID THAT WHILE AID IN KIND TO THE LPDR CONTINUES TO FLOW IN, FOREIGN CURRENCY  
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PAGE 02 VIENTI 00900 01 OF 02 040145Z

RESERVES DERIVED EITHER FROM FOREIGN AID OR FOREIGN EXPORT SOURCES ARE CRITICALLY LOW.

2. THE EMBASSY'S MARKET SURVEY FOR JUNE 2, 1977 DOCUMENTED HIS CONTENW  
BY INDICATING A RAPID RISE  
IN THE PRICE OF COMMODITIES IMPORTED FROM THAILAND AND

A SIGNIFICANT DECLINE IN THE VALUE OF THE KIP AGAINST THE DOLLAR AND BAHT IN THE LOCAL FREE MARKET (FROM 1320 KIP - U.S. \$1.00 IN APRIL 20 EMBASSY SURVEY TO 1600 KIP - \$1.00 IN THE JUNE 2 SURVEY).

3. THE PRICE OF WHITE RICE IMPORTED FROM THAILAND ROSE SHARPLY FROM THE PRICE LEVELS REPORTED IN EMBASSY'S MARKET SURVEY (REFTEL) FOR ALL CATEGORIES, REACHING THE HIGHEST LEVELS RECORDED IN OVER A YEAR: OR 450, 380 AND 300 KIP PER KILO FOR FIRST, SECOND AND THIRD CLASS RICE RESPECTIVELY. THE PRICE WAS OVER TWICE THAT RECORDED AT THE BEGINNING OF 1977 FOR ALL THREE CLASSES. GLUTINOUS RICE (LAO QVODUCED) WAS AVAILABLE IN LIMITED QUANTITIES AT MODERATELY HIGHER PRICES THAN WERE RECORDED APRIL 20 (I.E., 150 VERSUS 130 KIP PER KILO AND 100 VERSUS 80 KIP PER KILO FOR SECOND AND THIRD CLASS GLUTINOUS RESPECTIVELY). FIRST CLASS GLUTINOUS REMAINED UNAVAILABLE.

4. ONLY THIRD CLASS GLUTINOUS RICE WAS AVAILABLE IN THE GOVERNMENT STORES SELLING AT A PRICE OF 40 KIP PER KILO. (ONLY LAO EMPLOYED BY THE GOVERNMENT ARE PERMITTED TO BUY AT GOVERNMENT STORES.)

5. OCEAN FISH, SUGAR AND VARIOUS DRY GOODS (ALL IMPORTED FROM THAILAND) RECORDED PRICE INCREASES AS COMPARED WITH THE APRIL 20 SURVEY WITH SUGAR LEADING THE RISE, SOARING TO 1800 VERSUS 750 KIP PER KILO, OR OVER FIVE TIMES THE PRICE RECORDED AT THE BEGINNING OF

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PAGE 03 VIENTI 00900 01 OF 02 040145Z

THE YEAR.

6. MEAT PRICES WERE MIXED WITH PRICES FLUCTUATING HIGHER AND LOWER THAN APRIL 20 PRICES. THE PRICE OF ONE KILO OF CHICKEN ROSE FROM 1800 KIP ON APRIL 20 TO 2800 KIP IN JUNE. MEANWHILE THE PRICE OF BEEF, PORK AND BUFFALO VARIED BY ONLY 100 KIP PER KILO, WITH BEEF AND BUFFALO DOWN AND PORK UP.

7. VEGETABLES AND FRUIT PRICES ALSO VARIED FROM APRIL PRICES ONLY marginally, GENERALLY REFLECTING SEASONAL AVAILABILITY.

8. PRICES FOR HIGH PROTEIN FOODS SUCH AS EGGS AND FISH SAUCE (EVEN IMPORTED THAI FISH SAUCE) REMAINED APPROXIMATELY THE SAME AS APRIL PRICES WITH EGGS DOWN TEN KIP APIECE AND FISH SAUCE UP 100 KIP PER BOTTLE.

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PAGE 01 VIENTI 00900 02 OF 02 040153Z  
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R 040101Z JUN 77  
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C O N F I D E N T I A L SECTION 2 OF 2 VIENTIANE 0900

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9. COMMENT: UNDERLYING THE SHARP RISE IN PRICE FOR IMPORTED COMMODITIES WAS THE DECLINE IN THE VALUE OF THE KIP TO THE LOWEST POINT RECORDED SINCE THE INAUGURATION OF THE "LIBERNATION KIP" ONE YEAR AGO. THIS DECLINE APPEARS TO HAVE BEEN SPARKED BY THE DECISION OF MANY OF THE REMAINING SMALL MERCHANTS TO EXCHANGE THEIR KIP HOLDINGS FOR DOLLARS. THIS DECISION IN TURN APPEARS TO BE THE RESULT OF RUMORS CIRCULATING AMONG MERCHANTS THAT THE GOVERNMENT MAY RENEW INVENTORY TAXES AND PRESS INCOME TAXES FOR THE MERCHANTS. FOR MANY MERCHANTS, USUALLY THIRD COUNTRY NATIONALS, RUMORS OF SUCH GOVERNMENT ACTION IS STRONG MOTIVATION FOR THEM TO CONVERT WHAT WEALTH THEY CAN INTO SOUND CURRENCY AND LEAVE.

10. THE RISING NUMBER OF LAO REFUGEES HAS ALSO INCREASED THE AVAILABILITY OF KIP AS REFUGEES SEEK TO  
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PAGE 02 VIENTI 00900 02 OF 02 040153Z

CONVERT THEIR WEALTH INTO A VALUABLE CURRENCY TO "BUY

THEIR WAY" TO THAILAND.

11. THE DRAMATIC PRICE RISES FOR WHITE RICE (PARA 3)  
DOES NOT DIRECTLY AFFECT THE LAO WHO PREFER THE  
GLUTINOUS RICE, BUT DOES HIT HARD AT THE REMAINING  
CHINESE AND VIETNAMESE POPULATIONS WHICH RELY ON THE  
WHITE RICE AS A STAPLE.

12. RISING PRICES AND THE FALLING VALUE OF THE KIP  
WILL CONTINUE TO ENCOURAGE MORE LAO TO FLEE TO THAI-  
LAND, ESPECIALLY YOUNG AND POTENTIALLY PRODUCTIVE LAO.  
THE IMPACT OF THEIR LOSS ON THE ECONOMY, COUPLED WITH  
THE INCREASED FLOW OF DISCARDED KIP INTO THE ECONOMY  
BY REFUGEES AND OTHERS SEEKING DOLLARS AND BAHT  
APPEAR TO REPRESENT A FORMULA FOR CONTINUED DETERIORA-  
TION IN THE LAO ECONOMY.  
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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009